manitoba data services

1984
ANNUAL REPORT

85-5052/

Winnipeg

September 30, 1984

Honourable E.M. Kostyra
Minister Responsible for
Manitoba Data Services

Dear Sir

In accordance with the Manitoba Data Services Act, I am pleased to present the Annual Report for Manitoba Data Services for the year ended March 31, 1984.

G. MacLean
Chairman of the Board
Manitoba Data Services

manitoba
data
services

10th Floor, 215 Garry Street
Winnipeg, Manitoba
R3C 3P3

ANNUAL REPORT

For the year ended March 31, 1984

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HIGHLIGHTS OF THE REPORT

OPERATIONAL

- Service rates reduced 12.5%
- Installation of second 3081 central processing unit
- Real growth in service demand exceeded 13.3%
- Major online system installed by Workers Compensation Board

FINANCIAL

- Total revenues $18,392,000
- Total expenditures $16,721,000
- Net income $ 1,671,000
- Accumulated Deficit Fully Retired

OUTLOOK FOR COMING YEAR

- Further expansion of computing capacity
- Installation of Administration system at Seven Oaks General Hospital

GENERAL MANAGER'S REPORT

Manitoba Data Services continued to demonstrate strong financial performance in the results reported for the fiscal year ended March 31, 1984. In so doing, the Commission has been able to fulfil its long term objectives of providing increasing operating economies to its clients as well as retirement of the accumulated deficit.

On revenues of $18,392,000 Manitoba Data Services realized net income of $1,671,000 for the year. As a result, the accumulated deficit which stood at $370,000 at the start of the year has now been fully retired and an accumulated surplus of $1,301,000 carried forward into the forthcoming fiscal year. The Commission's accumulated deficit was purposely incurred during the formative years of the business in the realization that substantive investments would be essential to long term viability. By 1980 these investments, in the form of the accumulated deficit, were $4,246,000. The wisdom of pursuing such an aggressive investment program is now borne out by the results reported.

Since December 1981, Manitoba Data Services has continued to strive to provide more economical service rates to clients. Previous rate reductions of 10% and 5% have been supplemented by a further 12.5% rate reduction which was instituted in March 1984. The outlook is for a continuation of this trend.

Manitoba Data Services realized a 17.4% growth in revenues in 1984 when compared to the previous fiscal year. Real growth in demand for service was somewhat higher than this when the effect of the rate reduction for the final month of the year is taken into account. As a result of this increased service demand, in June 1983 the previously installed IBM 3033 multi-processor complex was replaced by an IBM 3081D. This brought the installed computing capacity to two IBM 3081 systems. Also during the year a conversion from IBM 3350 disk drives to 3380 disk drives acquired from IBM and Memorex was completed. Conversion to these higher performance units will enhance Manitoba Data Services storage product offering to clients providing both greater efficiency as well as improved operating economy.

During the year Manitoba Data Services acquired two major new clients. In November 1983 the Workers Compensation Board successfully installed a large online system which had been obtained from another jurisdiction. Later in the year a proposal for the installation of a hospital administration system at Seven Oaks General Hospital was accepted. This system, which will be implemented in late 1984, is being developed in co-operation with the Manitoba Health Services Commission.

The installation of the Workers Compensation System plus significant growth in the online systems of other clients saw Manitoba Data Services realize a significant milestone. In March 1984 the Commission installed the 1,000th terminal on its teleprocessing network. Client applications currently under development will result in a substantial increase in the number of terminals serviced by Manitoba Data Services over the next eighteen months.

During the year several important new service offerings were introduced. In March 1983 the Commission expanded its Information Centre service offering in its facilities at 215 Garry Street. In addition to providing a much needed access to host based processing for clients who have relatively small or only periodic

requirements, this facility has proven to be an excellent vehicle for demonstrating new end user products. In May 1983, IFPS (INTERACTIVE FINANCIAL PLANNING SYSTEM) was announced. In the relatively short time in which this product has been installed a wide range of customers have adapted it to improving their business forecasting capabilities.

A major emphasis by Manitoba Data Services is the introduction of products which will improve programmer productivity for clients. In June 1983 the Application Development Product PRO/grammar was announced. In areas in which this product can be appropriately applied, productivity gains of up to 30% have been realized by clients. A further major commitment to the realization of improved programmer productivity will shortly be undertaken through a joint Manitoba Data Services/ Client trial of the Application Development product FOCUS.

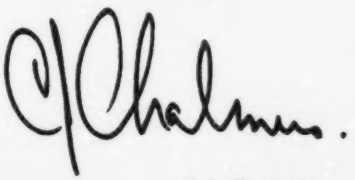
Also in June 1983 availability of the product SAS/GRAPH was announced. This product provides a broad range of methods by which statistical data can be formatted to provide more meaningful presentations. Since its introduction, SAS/GRAPH has become one of the Commission's most widely used offerings. An enhanced version of the popular TSO (TIME SHARING OPTION) was made available to clients in December 1983 with the installation of TSO EXTENDED. This version of the major time sharing service offered by the Commission has provided clients with expanded functional capability.

In the latter part of the year Manitoba Data Services developed a Micro Computer Product and Vendor Profile. This publication, which was distributed to clients in May 1984, will provide public sector agencies of Manitoba with an effective guide for the procurement of micro computers in support of their business objectives. To keep pace with the rapid changes in micro computer technology, Manitoba Data Services will publish a revised edition of this manual at regular intervals.

Manitoba Data Services has continued to receive the strong support of its clients, without which the current success could not have been achieved. The Commission continues to be committed to the ongoing support of its clients through provision of a high quality of diversified computer services and to continued striving for further reductions in the rates charged for the services it provides.

Since its formation, Manitoba Data Services has been able to rely on the enthusiastic commitment of its employees. The dedication and skill exhibited by employees at all levels has clearly been a major factor in the positive results being reported this year. The Commission is deeply indebted to its employees and acknowledges their important contribution.

The management also acknowledges the continued strong support that it has received from the Board of Commissioners and the Minister Responsible for Manitoba Data Services.



C.J. Chalmers

Clockwise from upper left: K.E. Edstrom, S.G. Anderson, R.M. Fraser, G. MacLean, M.S. Doyle, Z.L. Hyworon.

N.H. Shakespeare W.G. Eamer J. Jones C.J. Chalmers

BOARD OF COMMISSIONERS 1983-84

Chairman:
Gordon MacLean
Senior Economic Consultant,
Manitoba Energy Authority

Members:
S. Glover Anderson
Assistant General Manager,
Manitoba Telephone System

Michael S. Doyle *
Professor of Computer Science,
University of Manitoba

Kenneth E. Edstrom * +
Vice President, Finance,
Cargill Limited

R. Murray Fraser +
Executive Vice President,
Corporate Services, Manitoba Hydro

Ex Officio Member:
Zoriana L. Hyworon
Assistant Deputy Minister, Information
Management Division, Manitoba
Department of Industry, Trade
& Technology

EXECUTIVE OFFICERS

General Manager:
C.J. Chalmers

Director, Corporate Services:
W.G. Eamer

Director, Client Support Services:
J. Jones

Director, Operations Support Services:
N.H. Shakespeare

\+ Member of the Audit Committee
* Member of the Equipment Procurement Committee

PROVINCE OF MANITOBA
PROVINCIAL AUDITOR

MANITOBA DATA SERVICES
REPORT OF THE PROVINCIAL AUDITOR'S OFFICE

We have examined the statement of financial position of Manitoba Data Services as at March 31, 1984 and the statements of operations, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of Manitoba Data Services as at March 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with the basis of accounting described in Note 2 applied, except for the reduction in the estimated useful life of major computer equipment as explained in Note 2b, on a basis consistent with that of the preceding year.

W.K. Ziprick, C.A.,
Provincial Auditor.

July 17, 1984
Winnipeg, Manitoba.

MANITOBA DATA SERVICES

STATEMENT OF FINANCIAL POSITION

ASSETS

At March 31 in thousands of dollars	1984	1983
CURRENT ASSETS		
Cash	$ 744	$ 645
Accounts receivable (Note 3)	7,676	5,161
Investment with Province of Manitoba	800	3,000
Prepaid expenses	63	60
	9,283	8,866
NET INVESTMENT IN LEASE (Note 4)	—	476
FIXED ASSETS, at cost		
Computer equipment — owned	9,579	9,452
— capital lease (Note 4)	—	3,216
Furniture and fixtures	466	355
Leasehold improvements	234	734
	10,279	13,757
Less accumulated depreciation	4,300	8,877
	5,979	4,880
OTHER ASSETS, at cost		
Proprietary software	806	657
Deferred charges	608	941
	1,414	1,598
Less accumulated amortization	984	954
	430	644
	$15,692	$14,866

LIABILITIES AND RETAINED EARNINGS

At March 31 in thousands of dollars	1984	1983
CURRENT LIABILITIES		
Accounts payable (Note 3)	$ 4,647	$ 1,971
Current portion of lease obligations	—	1,187
Current portion of advances from Province of Manitoba	1,027	934
	5,674	4,092
LONG-TERM LIABILITIES		
Lease obligations (Note 4)	—	1,400
Advances from Province of Manitoba (Note 5)	8,717	9,744
	8,717	11,144
RETAINED EARNINGS (DEFICIT)	1,301	(370)
	$15,692	$14,866

The accompanying notes are an integral part of these statements.

Approved By The Board of Commissioners.

G. MacLean
Chairman

R.M. Fraser
Member

MANITOBA DATA SERVICES

STATEMENT OF OPERATIONS

Year ended March 31 in thousands of dollars	1984	1983
REVENUES		
Data processing services	**$17,588**	$14,894
Program maintenance	**119**	193
Miscellaneous	**685**	574
	18,392	15,661
EXPENSES		
Salaries and administration	**7,288**	6,696
Computer equipment and software, rental and maintenance	**4,808**	3,760
Depreciation and amortization	**3,136**	3,505
Interest, net		
— Province of Manitoba (Note 5)	**910**	552
— Other	**(13)**	440
Loss (gain) on sale of equipment	**592**	(54)
	16,721	14,899
NET EARNINGS	**$ 1,671**	$ 762

STATEMENT OF RETAINED EARNINGS

Year ended March 31 in thousands of dollars	1984	1983
RETAINED EARNINGS (DEFICIT) — BEGINNING OF YEAR	**$ (370)**	$(1,132)
Net Earnings	**1,671**	762
RETAINED EARNINGS (DEFICIT) — END OF YEAR	**$ 1,301**	$ (370)

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended March 31 in thousands of dollars	1984	1983
SOURCES OF WORKING CAPITAL		
Operations including charges not involving an outlay of funds	**$ 5,402**	$ 4,216
Sale of computer equipment	**398**	324
	5,800	4,540
USES OF WORKING CAPITAL		
Computer equipment and proprietary software	**6,354**	1,620
Furniture, fixtures and leasehold improvements	**127**	42
Long-term lease obligation (cancellation)	**(543)**	1,050
Advance from Province of Manitoba	**1,027**	934
	6,965	3,646
INCREASE (DECREASE) IN WORKING CAPITAL	**(1,165)**	894
Working capital — beginning of year	**4,774**	3,880
WORKING CAPITAL — END OF YEAR	**$ 3,609**	$ 4,774

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 1984

1. ORGANIZATION

Manitoba Data Services is a Crown Corporation established by a special Act of the Manitoba Legislature June 15, 1979 to provide electronic data processing services to the Government and government agencies.

2. SIGNIFICANT ACCOUNTING POLICIES

a. BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with generally accepted accounting principles except for the accounting for pension costs.

In accordance with provisions of the Manitoba Civil Service Superannuation Act, Manitoba Data Services contributes 50% of the pension disbursement made to retired employees. Payments are charged to operations as incurred and provision is not made in the accounts to fund current or past-service obligations to the Superannuation Fund. On the basis of an actuarial report, the unfunded liability for Manitoba Data Services employees was $1,520,000 at December 31, 1983 ($1,220,000 at December 31, 1982).

b. DEPRECIATION AND AMORTIZATION

Depreciation and amortization are calculated using the straight-line method based on the estimated useful lives of the assets:

	YEARS	
	1984	1983
Computer equipment	3 to 4	3 to 6
Furniture and fixtures	5 to 10	5 to 10
Leasehold improvements	3 to 5	3 to 5
Proprietary software	3 to 5	3 to 5

The estimated useful life of major items of computer equipment was decreased to four years during 1984 in recognition of the increasing rate of technological advance. The impact of this change is to increase depreciation expense and decrease net earnings for the year by $138,000.

c. DEFERRED CHARGES

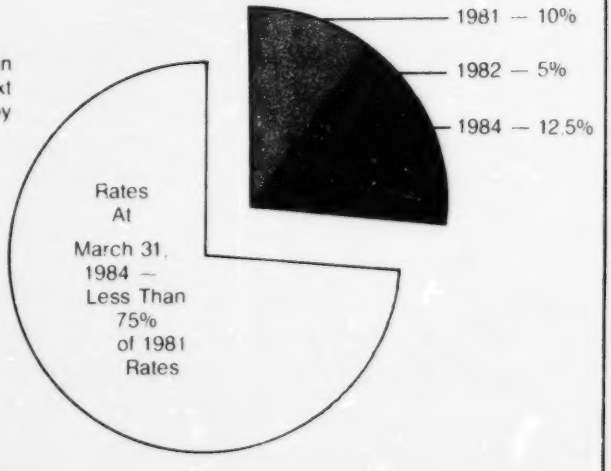
Deferred charges include costs incurred in integrating the data processing of new clients and are amortized on a straight-line basis over a five-year period.

d. REVENUE RECOGNITION

Revenue is recorded as services are provided.

RATE REDUCTIONS SAVE CLIENTS $6,200,000 SINCE 1981

Beginning with a 10% reduction in December, 1981, rates were next reduced by 5% in April, 1982, and by a further 12.5% in March, 1984



Manitoba Data Services' practice of passing the savings from new technologies and operating efficiencies directly to users means that clients currently pay less than 75% of 1981 rates.

3. PROCUREMENT

Manitoba Data Services acts as procuring agent for data processing equipment for the Manitoba Government. Included in accounts receivable is $4,237,000 (1983: $2,216,000) and in accounts payable $3,733,000 (1983: $1,414,000) related to these procurements. Also included in accounts receivable is $501,000 (1983: $548,000) in respect of computer equipment sold to clients on extended terms of which $319,000 is due in fiscal 1985 and $182,000 in fiscal 1986.

4. LEASES

In July, 1983 the computer processors shown on the March 31, 1983 statements (ASSETS: Net Investment in Lease — $476,000 and Capital Lease — $3,216,000, and LIABILITIES: Current Portion of Long-Term Lease Obligations — $1,187,000 and Lease Obligations — $1,400,000) were disposed of and the lease agreements terminated. Manitoba Data Services then entered into a two-year operating lease, which is not required to be capitalized, for an IBM 3081-D processor payable $137,092 monthly. Future minimum lease payments for the processor and office space are as follows:

1985	$1,880,000
1986	680,000
1987	268,000
1988	268,000
1989	89,000
	$3,185,000

5. ADVANCES FROM THE PROVINCE OF MANITOBA

At March 31, 1984 advances from the Province of Manitoba were $9,744,000 (1983: $10,678,000), including the current portion of $1,027,000 (1983: $934,000). The advances bear interest at 10% payable $2,001,629 per annum including principal and interest from 1985 through 1991. The interest expense of $1,123,000 (1983: $1,153,000) on the advances has been reduced by interest earned on funds on deposit with the Province of $213,000 (1983: $601,000).

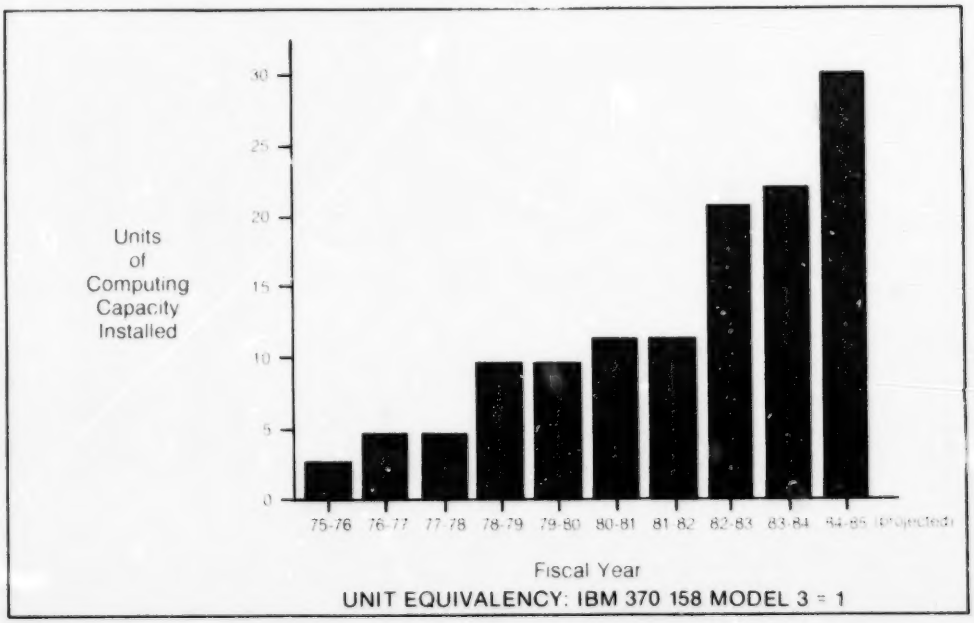
6. RELATED-PARTY TRANSACTIONS

Substantially all revenue earned by Manitoba Data Services and related accounts receivables are from departments of the Manitoba Government, its crown corporations and agencies.

7. COMPARATIVE FIGURES

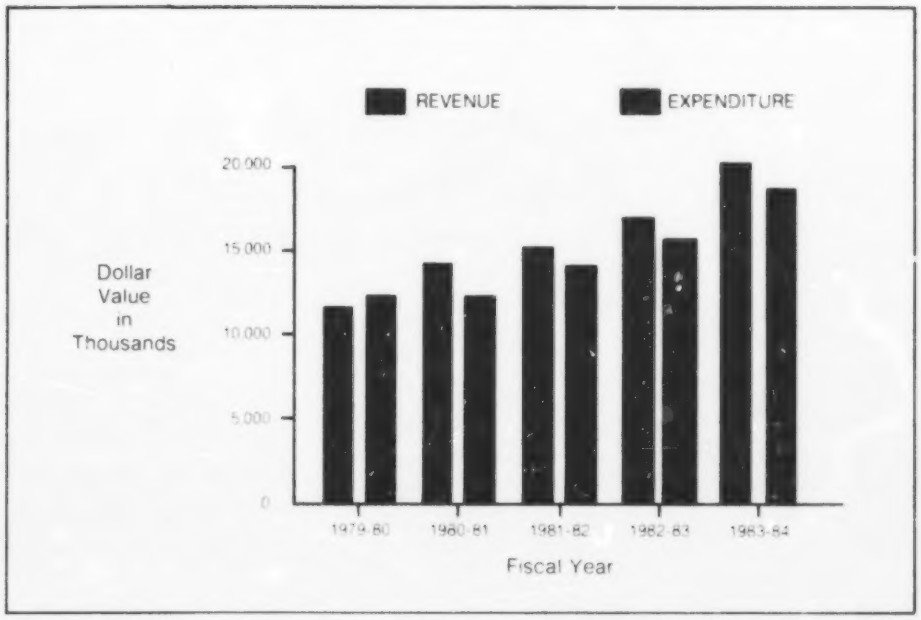
Certain of the 1983 figures have been restated consistent with the 1984 presentation.

GROWTH SINCE FORMATION
IN SEPTEMBER 1975

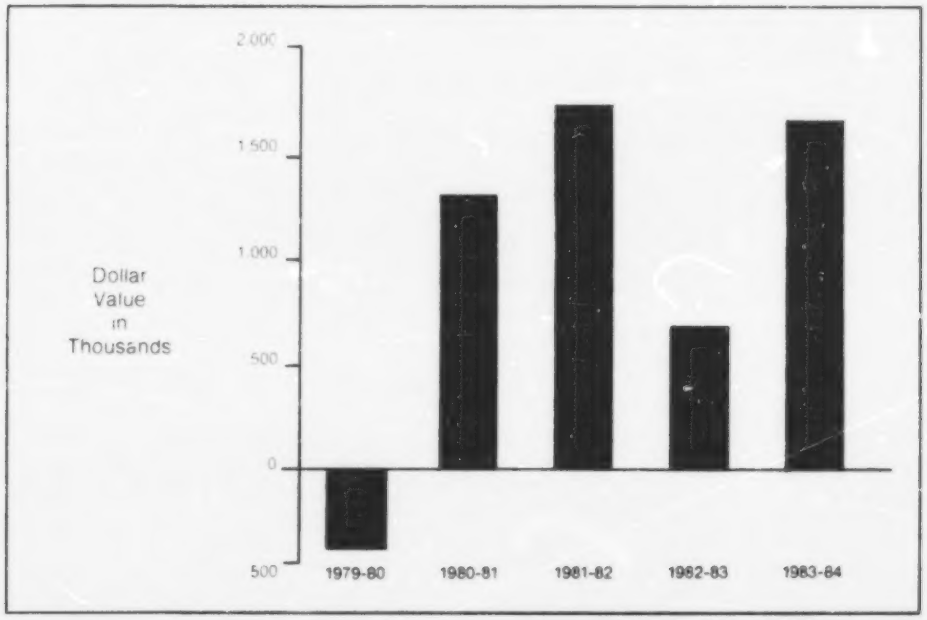


UNIT EQUIVALENCY: IBM 370 158 MODEL 3 = 1

HISTORICAL FINANCIAL RESULTS



NET EARNINGS



Client staff in MDS classroom discuss a new product.

MANITOBA DATA SERVICES IN REVIEW

Throughout this fiscal year Manitoba Data Services maintained its focus on PEOPLE, PRODUCTS and SERVICE. The corporation continued to develop additional applications of new computer technologies, and to provide education, both to clients and to MDS staff, in the application of those technologies to provide maximum advantage from the increased productivity inherent in new product applications.

A wide spectrum of training courses continued to be provided for client personnel. Emphasis was placed on technical training in the use of product software and systems.

A committee was established to assess current training programs and identify where improvements could be made in training delivery mechanisms. Manitoba Data Services is committed to being responsive to the varying data processing education requirements of its clients.

The corporation maintained its participation in the University of Manitoba Computer Science Co-operative Option program. Students in this four-year program are required to work in data processing-related positions in business for a four-month term each year to fulfill the requirement for their degree in Computer Science.

MDS introduced a number of new products and product enhancements throughout the year. As indicated in the General Manager's report, the Interactive Financial Planning system (IFPS), a management planning tool which facilitates the building of computerized business management models, was well received by clients. Another new product for 1984, EASYTRIEVE/PLUS, is an information retrieval and application development system that simplifies computer programming tasks. Its retrieval capabilities make it a particularly productive tool for end users.

TSO/E, a new version of TSO (Time Sharing Option) was implemented in December, 1983, enhancing the capability of TSO with extended functions and improved usability. It complements the full-screen System Productivity Facility (SPF) environment, and enhances line command terminal environments.

SAS/GRAPH was introduced in June, 1983. This product is an extension to the Statistical Analysis System (SAS) that provides the capability for translating the results of statistical analysis into coloured graphs, maps and plots on a video display terminal or as printed output.

Reviews of MDS' standard product lines for Distributed Processing and Word Processing were conducted to ensure the continuing viability of the hardware in the product lines. The standard product lines were originally established in 1981 with a stated intention of regular review.

The Batch and TSO Billing System Project, established in the last fiscal year, progressed very well, resulting in definition of a new billing methodology by the joint client and MDS Billing Committee. Extensive testing has been done this year to prepare for implementation in the next fiscal year.

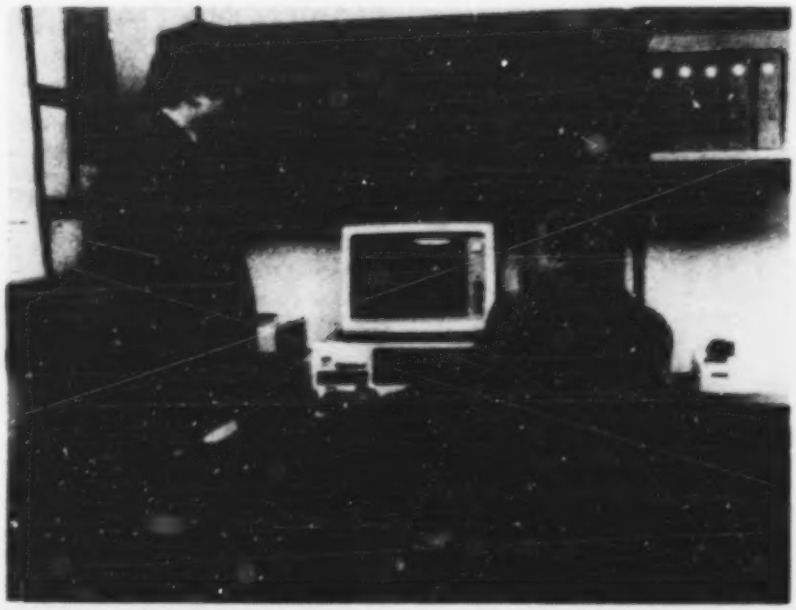
In November, 1983 MDS changed from direct dial-up terminal access to the DATAPAC 3101 network access service offered by the Manitoba Telephone System. This change was made in conjunction with the installation of new network control software at MDS. Extended services and benefits to terminal users include support of multiple line speeds and expanded options for client terminals and modems.

Manitoba Data Services installed a new MVS system product, (MVS SP1.3) in April, 1983, a continuing step in the previously announced strategy of bringing an evolutionary approach to the design of MVS to meet client requirements. In keeping with this operating environment strategy, a further MVS enhancement to MVS/XA is planned to take place in the Fall of 1984.

Changes were also made to the Central Processing Unit hardware. The IBM 3033 MP was replaced with an IBM 3081 Model D, resulting in a CPU configuration comprising an IBM 3081G and an IBM 3081D running as a loosely coupled multiprocessing system. This hardware change is an important step in the strategic growth direction and approach for the management of the operating hardware and software. As well, it ensures that the increasing demand for service by clients is being met in a consistently effective manner.

Looking ahead, Manitoba Data Services is currently developing a Micro Computer Product Vendor Profile that will be published and distributed to clients early in the next fiscal year. The purpose of the Profile is to assist MDS clients in identifying products that meet their requirements for the use of micro computers in their work environment.

A fundamental area of endeavor for MDS is the identification of computer application development aids. The corporation is making a major effort to provide clients with programming languages and software products that will increase the productivity of their programming staffs in developing new systems. As part of this ongoing effort a number of new application development products will be installed and jointly evaluated by clients and MDS in the next fiscal year.



Information Centre staff confer about client request for assistance.

MDS Information Centre, 9th Floor, 215 Garry Street

Clients in training session gain hands-on experience with new data processing product.

MDS classroom, 10th Floor, 215 Garry Street

POOR
QUALITY
ORIGINAL